

Conference Call Transcript
Gerdau
2Q25 Results

Mariana Dutra:

Good morning, everyone, and welcome to Gerdau's 2Q25 results presentation.

I'm Mariana Dutra, Head of Investor Relations, and joining us today on this conference call are our CEO, Gustavo Werneck; and CFO, Rafael Japur.

Please note that this call is being simultaneously translated into English, and you can choose your preferred language by clicking on the globe item at the bottom of your screen.

During the presentation, all participants will be in listen-only mode, and next we will initiate the Q&A session. Analysts and investors can join the queue by clicking on the raise-hand button.

It is worth noting that the forward-looking statements contained herein are based on the Company's beliefs and assumptions based on information currently available. Forward-looking statements are no guarantee of future performance and are subject to risk and uncertainties that may or may not occur.

I will now turn the floor to Gustavo to begin the presentation. You may proceed, Gustavo.

Gustavo Werneck:

Good afternoon, everyone. I hope you are all well, and I really appreciate the opportunity to be together for another earnings release presentation.

I will briefly comment on the highlights of 2Q25 and the outlook for our operations, and then we will proceed with the Q&A session.

Firstly, I would like to highlight that we ended 2Q25 with another positive milestone in our historical series of workplace accident rates, reinforcing our commitment to the health, well-being and safety of our employees and all stakeholders with whom we interact.

Reaffirming our commitment to sustainability, I would also like to highlight that we recently published Gerdau's annual report for the 2024 cycle. Among other indicators, the report highlights that we achieved an average GHG emissions of 0.85 tonnes of CO₂ per tonne of steel, the lowest in our historical series and less than half the global average for the steel production sector.

Now in terms of the financial performance, I highlight the strong recovery of our North American operations, which in 2Q25 posted the highest all-time share in our results, representing 61% of consolidated EBITDA.

I would like to emphasize that Gerdau operates as a U.S. company in the United States, meeting domestic demand with steel produced 100% locally without relying on imports from Brazil.

Our decades-long presence in the North American market reflects a favorable business environment in the country and is part of a business strategy of internationalization and geographic diversification, which allows us to operate autonomously in the seven countries where

we are present in the Americas with independent executive and operating management.

Meanwhile, in Brazil, the domestic market continued to be impacted by excessive imports of steel throughout 2Q25. The import penetration rate reached 23.4% in the first half of the year, once again, demonstrating the ineffectiveness of the current quota system with tariffs and the urgent needs to implement measures that can effectively defend the Brazilian steel industry and domestic jobs.

Given this scenario of lack of competitive quality in the Brazilian market and the slowness of the authorities in taking more effective measures, we decided to reduce our investments in Brazil and the details of which we will announce over the coming months. At the same time, we are continuing to adjust our current production capacity to this alarming scenario of high penetration of imported steel.

And now I will hand over to Japur, who will detail the financial highlights and the impacts of this current scenario in the Brazilian market on our results.

Rafael Japur:

Thank you, Gustavo, and hello, everyone. It is always a great pleasure to be here with you in our earnings release presentation.

Our adjusted EBITDA was R\$2.6 billion, 6.6% higher than in 1Q25, with the North America segment's performance standing out, as mentioned by Gustavo. On the other hand, we saw a reduction of our operations in Brazil as well as in South America. Net income stood at R\$864 million or R\$0.43 per share, up 14% compared to 1Q25.

During 1Q25, we issued two important debt issuances, a US\$650 million bond maturing in 2035 and a seven-year debenture totaling R\$1.4 billion. The issuances were aimed at strengthening the cash flow of the Company while extending the average maturity of the Company's debt.

Speaking about leverage, the Company's leverage ratio, net debt over EBITDA, ended 2Q25 at 0.85x, way below the level established by our debt policy, reinforcing Gerda's capacity to continue executing the investment necessary for our business despite a more adverse scenario.

Now regarding CapEx, we invested R\$1.6 billion in 2Q25, where we allocated most of it in our Miguel Burnier sustainable mining project, which has already reached 72% completion. We are in the pre-operational planning phase, starting up at the end of this year. This will really change the competitive scenario of our Ouro Branco mill, adding 5.5 million tonnes of high-quality iron ore. The potential of the project is to generate about R\$1.1 billion a year once the ramp-up is finalized.

Now in North America, due to the excellent moment of the market, both in terms of shipments and prices, the Company decided to postpone the implementation of Phase 1 of the Midlothian expansion project in Texas, which will not significantly change the project completion of that expansion process because it will take years and not even the amount of CapEx allocated to the project.

Based on the results for 2Q25, we approved the distribution of dividends in the amount of R\$0.12 per share, totaling R\$239 million. In addition, we continue to execute our 2025 share-buyback program, which already reached 68% completion, representing 2.2% of the Company's

outstanding shares, totaling almost R\$700 million throughout the year in terms of returns to our shareholders. We continue to believe that share buybacks at the moment are an excellent way to allocate capital and, at the same time, return value to our shareholders.

And speaking about shareholder return, if we take into account dividends and also share buybacks, our payout ratio came to 90% in 2Q25, which is basically very close to 3x what has been set up in our bylaws.

And with that, I conclude my remarks, and I will join you again during the Q&A.

Gustavo Werneck:

Thank you, Japur.

In North America, we continue to see steel demand at high levels, with the order backlog above historical levels, mainly driven by demand coming from the nonresidential construction sector.

Our capacity utilization in the U.S. continues to be positively impacted by steel import tariffs announced over the last few months, and we maintain a very healthy market outlook while remaining very attentive to the macroeconomic scenario and interest rates, which remain high.

In Brazil, on the other hand, the domestic market, although experiencing good demand for steel, continues to be impacted by excessive imports, as I mentioned at the beginning of my presentation. Therefore, much of the increase in steel consumption recorded at the beginning of this year was met by imports. There is even a risk that new import records will be set in the coming months if trade defense mechanisms are not improved.

For the coming months, we see a resilient civil construction market, and we are closely monitoring the level of activity in the automotive and agricultural sectors, which are already being impacted by high interest rates. In addition, we are cautiously monitoring the possible impacts that the imposition of tariffs by the U.S. on Brazil may have on our domestic industry.

I will now hand the floor over to Mariana, and Japur and I will be available to answer your questions.

Lucas Laghi, XP:

Good afternoon, Werneck, Japur and Mariana. Thank you for taking my question.

I would like to tap into some topics with you geared to investments and your CapEx expectations. First point, perhaps you could give us more color regarding the mining project. We see this CapEx being executed and the start of operation expected through the end of the year with ramp up next year. So in the context of the current exchange rate, price of iron ore, and pellet premium, how do you see that R\$1.1 billion CapEx materializing over time?

Do you have any estimates regarding how much of the incremental EBITDA comes from the operations today? How much would be incremental if you do not make the investments considering loss of competitiveness if you do not have a sustainable mining operation advancing with the new investment?

The second point is a broader question regarding investments. We see a more difficult context in

Brazil and some projects are included in the strategic CapEx. Meanwhile, we see a clearly better outlook for North America.

So how are you thinking about capital allocation? Are you thinking about a structural change in terms of levels of return for projects in North America, perhaps assessing new projects there or given the more advanced execution of strategic CapEx? Although there are other investments in competitiveness, should we be thinking about a reduction in the level of investments for 2026 and beyond?

So these two points: mining and a broader question about what you are thinking in terms of capital allocation when we have different contexts in Brazil and North America.

Gustavo Werneck:

Thank you, Lucas.

This is a very relevant topic. I am glad that we are starting by talking about this. I am going to give you a more general conceptual view, and then I will turn the floor to Japur so that he can give you more numbers.

Overall, we have always been concerned about the CapEx and our annual disbursement, always considering our ability to generate cash flow over the years. Over the last few years, we have understood that an annual disbursement of CapEx of about R\$ 5 billion to R\$6 billion would be very sustainable.

From a qualitative standpoint, we can see a significant change in the disbursement. We are allocating a lot more CapEx in competitiveness projects and cost reduction projects to create a future equation that is more competitive than today than that is allocated to increase production capacity. So even with the same level of disbursement, there has been a significant change in the CapEx in the last few years.

This level of R\$5 billion to R\$6 billion a year was able to meet the CapEx needs of Brazil and the CapEx needs in North America. So, we did not have to make choices to prioritize Brazil or the United States. We were able to meet the investment needs of the two macro regions simultaneously.

So, Lucas, in light of everything that has been happening, more specifically considering the decision made in the COMEX meeting on July 24th of not adopting trade defense mechanisms that would be more intense and stronger, we made a decision to reduce the global CapEx disbursement from 2026 and beyond.

We are not going to stop any ongoing investments, especially in Brazil, such as the mining project in Ouro Branco. They are fundamental for our competitiveness and low cost, so we are not going to paralyze anything that is underway. In other words, the R\$6 billion of disbursement we announced for this year will be fully executed.

But after 2026, a decision has been made to reduce the level of disbursements. Japur and I are not ready yet to tell you what the new level will be and which investments will be cut. A more detailed analysis will be taking place in September and August, so at the Investor Day in October, we will speak more about that.

But the decision has been made, and the decision is to reduce future investments in Brazil and maintain future investments in North America because, over there, we understand that the investments being made have translated into gaining more market share and supplying the current demand.

More specifically, in the segments that we serve in the United States, particularly beams and merchants, we understand that maintaining a balance between supply and demand is important over the coming years, and that is why it does not make any sense to build a new plant and a new industrial unit because we want to keep the balance.

But marginally, we have been adding capacity. We have been adding products to our mix, products with a higher added value, and we have been doing this in the past few years.

Also, we have been making investments in the Midlothian plant that we have in Texas, the most relevant one we have. We made an important decision to remove a shutdown we would have in the second half to implement another phase of that investment, as Japur mentioned.

We understand that demand at this moment is so solid that we intend to keep the production capacity to meet the demand in the second half and leave the shutdown for later. It is an investment program, and it entails a number of shutdowns, so it does not impair the rest of the project. But this year, we want to keep the production capacity allocated to meet the demand, which is very solid.

So that is the general approach in a nutshell. As of next year, we will see a reduction in this level of CapEx. It will no longer be R\$6 billion. This will be reduced, especially investing less in Brazil and we will maintain investments in North America because we understand that, with everything that is happening in the short and medium term and future demand, that will remain solid. It is important that we have a competitive and relevant presence in the U.S. market.

So that is the general concept. I will turn the floor to Japur to perhaps add some more figures.

Rafael Japur:

Hi, Lucas.

Lucas, going back to your first question, which was more specific about CapEx for the Itabirito's project at Miguel Burnier, it is kind of hard to get to the scenario to say how it would be if we did not have that investment because we will not be operating with this level of prices for iron ore and pellets to make the comparison.

But we have some big numbers to remember. This project of ours was approved taking into account the CIF China price for 62% ore that now will be changed to 61%. The price was US\$80 per tonne. That was one of the assumptions of the project.

And the second assumption was regarding the quality of the ore and the replacement of pellets in our production route and considering a price of US\$45 per tonne. Now we know that the premium is below US\$45 for pellets.

On the other hand, the price of ore is higher. But even with that combination, we understand that the guidance that we provide as a reference is that this project should lead to R\$1.1 billion incremental EBITDA to our current result when we have the ramp-up, and that assumption

remains kind of at the same order of magnitude.

But our understanding is that, over time, if we had not made this investment, we would have less and less access to granular iron ore in Minas Gerais, so we would need to increase even further the consumption of pellets, and this would lead to a cost inflation that could be close to R\$300 million to R\$400 million, but since we do not have that scenario in mind, it would be very difficult to compare.

But we understand that the investment is proceeding well, with more than 72% physical progress. We continue with our plan to start it up at the end of the year, and in 2027, we would expand the new mining project, and an important part of this R\$1.1 billion will start being captured along 2026.

Of course, the project will not start operating at 100% capacity. There will be a ramp-up, but we understand that an interesting part of this benefit should be materializing in our results along 2026.

Lucas Laghi:

Excellent. Thank you very much.

Gustavo Werneck:

Thank you, Lucas.

Leonardo Correa, BTG Pactual:

I have two points I would like to explore. Perhaps the first one to Japur. Japur, based on the debates we had this morning and in the last quarters, Gerdau continues to post a very healthy balance sheet compared to some of your peers, and I do not want to convey a different message from this in my question, but there is some concern regarding the pace of increase when we look in the last two to three quarters. Net debt increased from R\$5 billion at the end of the year to R\$9 billion now in 2Q25, which is an expansion that is kind of unusual when we look at your results posted in the last few years.

I know that you have probably heard criticism from the market that you were being too conservative and that there was room for more, and then now you are hearing that your leverage is slightly higher. I know that the market always oscillates in our wishes and in our points of discussion, but the reality is that we are not having a cash conversion. We have very little cash flow. EBITDA to cash conversion has been below the results of the prior quarters. So how are you thinking about this? What should we expect looking forward to?

Free cash flow will come in the second half of the year, and I imagine that this debt level will follow or will fall a little bit. So, what would be your target for net debt? And how do you see all that?

So that is the first question.

Gustavo Werneck:

No, go ahead. Go ahead, ask all questions and we will answer them.

Leonardo Correa:

My second question is: Werneck, you have been an advocate of more balanced trade practices and competition and quality in the domestic market. We have been voicing together with the sell side that what the government is doing has been insufficient, and the quotas clearly did not help and they did not change anything in the market.

Prices dropped, and I do not remember seeing a rebar price deflation that strong as what we have seen this year. Please correct me if I am wrong, if you remember another drop like this.

But my question is: a competitor in the morning announced an increase in rebar, like 8% or 10%. The premium today is low. Theoretically, by the book, we could accommodate this price increase. The competitive landscape is complicated, and regarding demand, there was some slight deceleration, but demand is still resilient.

So, Werneck, how do you see this? Is there room for this increase? You are leaders, of course, but how does Gerdau see these price movements with the current dynamic?

Gustavo Werneck:

All right. So, let us respect the order of the questions. Japur can answer, and then I will elaborate on the market and rebar.

Rafael Japur:

I think that, in your question, you kind of answered it when you said that in some quarters, the market was saying, "Oh, you are not very much leveraged. You could accelerate that more".

So, when we think about our minimum net debt over EBITDA that we had in 3Q24 to date, we had an increase of about R\$5 billion to our net debt, but still at a very low net debt over EBITDA of 0.85x, less than 1x net debt over EBITDA ratio.

And when we break down this increase in leverage, more than half of the R\$5 billion was invested in return to shareholders through dividend payout or share buyback. We invested from 3Q24 to now almost R\$2.8 billion in dividends and share buybacks for our shareholders. So, the main focus we had to use these proceeds by increasing our leverage was in providing return for our shareholders.

Of course, part of these proceeds, about 30% to 35% of the proceeds went for funding for us to have a free cash flow that was negative for the equity. And we understand that this is totally natural in our execution process with a significant CapEx program in Brazil, which culminated with the end of the hot-rolled coil mill that we concluded this year and the expansion of Itabirito's, with our mining project. It is a R\$3.2 billion investment, which is the highest investment in the history of the Company, and we understand that, in some future quarters, this will be bringing us very good news.

And we are in a cyclical industry. It is only natural when there are moments when you are planting seeds, when you are investing, and moments when you are reaping the fruits. So, I think that what matters is that Gerdau got ready in the past, deleveraging, keeping a robust balance sheet so that in moments of transformational investment cycles for the Company, as is the current one, even in a slightly more adverse scenario of cash generation, we would not have to just stop projects that are underway, as some other companies do.

So, this would be our mindset, Leo. This is a natural movement in an important expansion cycle in which we did not want to sacrifice our return to our shareholders because we trust the investments we are making, and we trust our ability to generate cash over time.

Gustavo Werneck:

Leo, now talking about rebar and the trade defense mechanisms, it is very disappointing that, after 12 months, with deep knowledge of the quota tariff system, we do not see any stronger measures adopted by the ministry. And we have read many news, not just about steel, that show the rationale of trying to please everyone and of making everyone happy, and you cannot read that way.

To me, it is very hard to understand how the federal government gives up R\$6 billion worth of taxes from the steel industry because they accept this almost 30% of Chinese imports.

If you think about legal assurance, there is knowledge at the level of the Mercosur decrease that would create a very adequate and safe environment to implement stricter trade defense measures. And to us, it is very hard to understand why this is not done.

Other than that, what happened more specifically in the rebar market is that, as you mentioned, there is concern about new launches of civil construction, but at this moment, it continues to be solid. If we look at our backlog, nothing points to a slowdown. It is possible this will come later. You are analyzing this, but in practice, we still have a very good demand and no slowdown.

So, in specific rebar, considering what happened with flat steel and all, there are some elements that I would like to mention. First, we will maintain our market share of rebar in Brazil. So, part of what you mentioned is not just a wish, but this is math that we do. In the short and long term, it makes sense to us to maintain the share that we have.

With the arrival of the imported products, of course, this reduces profitability a bit. And when we look at the imports, if we look at the numbers, why is it that we have more flat steel than long steel? Because the measures that we made ended up blocking and barring the arrival of long rebar through two doors in Brazil: the Santa Catarina door, given the deduction of ICMS, and the bilateral agreement with Egypt door, which would bring a lot of rebar and long steel through the Northeast of Brazil.

So, rebar has a price level that kind of prevents this greater penetration rate of imports. If it were not for this, a lot of long steel would be getting here. There is a lot of material that was ready to come here, and it did not come here because it did not make economic sense for the importers.

And we understand that, with everything that was done, we got to a premium or profitability that is beyond an optimal point to balance the whole. And I think that now there is room for us to recover some profitability and price in rebar to say that it is going to be just like the past, that this would be easy to happen. Everybody included this recovery in the model, and I do not think it will happen like this. I think it is going to be a difficult fight and a daily debate. It will pick up, but it will not be as easy as it was in the past. An equation of many variables now has multiple variables, which I believe that profitability, margins and prices are below what they should be.

So, I believe there is room for improvement, although, Leo, if this fight continues to be fierce, we believe that the big benefit we will bring in Brazil in the results in the second half will be more linked to costs.

We ended 2Q25 with the cost in Brazil coming from Ouro Branco above our potential. So, there is work ongoing, and this will bring the cost level of our Brazilian operation to a level below what it currently is.

And if the battle becomes fiercer, we will be able to compete well with a lower cost level. So overall, in general terms, this is what I have for you.

Japur?

Rafael Japur:

Yes, I have something to add. I realize that I did not fully answer Leo's question, so let me go back to an important point.

We do see in the second half of the year a positive cash generation in our business. We do not anticipate an acceleration in our CapEx disbursement. In North America, we had consumption of working capital because of higher volumes and prices, and we understand that this is going to start generating more cash in 3Q25. In Q3, normally, we generate more cash, so, in the second half of the year, we expect a free cash flow to equity ratio that is better.

Regarding costs, it is an important point mentioned by Gustavo. We mentioned this in our earnings release. In this important CapEx program that we have in mining, there are a number of topics which are interconnected with our Ouro Branco plant such as our yard of raw materials and some cold processes to use pellets in the centralization process.

So, we understand that a number of interventions that we made during 2Q25 kind of got in the way of the production pace of our blast furnaces in Ouro Branco. About 100,000 to 150,000 extra tonnes could have been produced with the same base of fixed costs that we currently have if we had not had these events in the Ouro Branco industrial unit.

So, in terms of variable cost and the volume of production, we imagine that we would have had a nonrecurring effect, which is part of the growth pain that we have when we have such a comprehensive CapEx program in Ouro Branco and around it with our mining project.

I believe that we should have a production increase and return of the pace at Ouro Branco, and this should contribute to improving our fixed cost dilution in the coming quarters, as Gustavo mentioned.

Daniel Sasson, Itaú BBA:

It is always a pleasure to talk to you.

In fact, I just want to go back to Leo's question when you referred to your debt position and leverage levels. I mean, in fact, 0.85x is really below your policy, but your gross debt is about R\$18 billion, slightly above your policy, which is up to R\$12 billion. This policy was envisioned when probably EBITDA was R\$5 billion, in pre-COVID, when the exchange rate was 4:1.

Would it be now the time to review that policy? I mean, in fact, just to make sure, you are not very much concerned in absolute terms with your gross debt whenever you think about dividend payout or buybacks or other options to give return to your shareholders. So, is it okay for your gross debt

to be high once your cash position is high?

But I think we are now going through a very difficult moment in this industry. You talked a lot about that, and now you even refer to the issue of cost and efficiencies that you were constantly seeking to achieve because this is something that is part of your control.

So, my concern is: if we already know that the government measures to protect the domestic market were very incipient and very inefficient, how far can you hold investments, rethink about CapEx and make hard decisions to probably cut your overhead or cut personnel? What type of structural measures would be necessary for Brazil to escape that trap of having per capita consumption the way it is or it has been for the last 30 years?

Gustavo Werneck:

OK. Let us try to answer your questions as they were asked.

Rafael Japur:

Hi, Daniel.

There are two things here. Of course, in a scenario of high interest rates and gross debt, it is not what we aspire to have, but there are also some internal issues like generating more cash in North America than in Brazil. So, we will not bring the money straight from North America to Brazil.

And we have an important CapEx program in our Brazil segment. The great part of our CapEx disbursed, like R\$4 billion of CapEx, would be invested in Brazil, but we are not generating the same level of CapEx in Brazil, and it is Brazil that pays dividends and, thus, the share buybacks.

And sometimes there is a mismatch that leads to cash increase vis-a-vis gross debt, but we understand that this is something temporary that should be solved in the coming quarters.

By the same token, we understand that we should generate positive cash in the second half, and this will allow us to reduce the leverage in the coming quarters as well.

Daniel Sasson:

Perfect.

Gustavo Werneck:

I think you also mentioned a very important point. If you look at our 125 years of history, I cannot afford to sit down here and look at how many people will be dismissed and how we can reduce things here and there. Earlier on today, when we talked to the press, they asked me, and I said that we already dismissed 1,500 people this year, particularly after the 24th, after the release when we saw that there will be the announcement of tougher measures, which never came, and especially in Pindamonhangaba in Mogi in the past weeks. All of the measures are on track.

But your question is really crucial. What does the future hold? If you look around the globe, a lot of countries are imposing defense mechanisms, mostly against China and unfair competition.

I talked to one of my peers, it is a Chinese manufacturer, and they do not understand when I ask

them about cost of capital. The level of public money that they have to maintain the productive capacity makes it difficult to compete with other countries.

If this will change 10 years from now, would it pay out for us to invest in the short run? We never waited for things to happen. Maybe that is why, in a difficult moment that we experienced 10-15 years ago, led us to transform our assets. We exited from several countries. We raised some cash by divesting. We sold some operations.

Now we are facing a new reality. Therefore, we understand that we will have to make long-term adjustments in Brazil as well. After all the investments Gerdau made, now is the time when we do not want to shrink as a Company. I think our size as a whole is an optimum size because we can accommodate the needs and desires of all of our stakeholders.

When we look at the long run, not all imported goods can penetrate our customers, because they need more service. So, we are thinking about whether it would make sense for us to maintain our production quotas, to maintain our productive capacity, whether it would make sense for us to revisit all of our assets, etc.

And right now, Japur and I are working on measures that are not short term because our team can promote good actions, but we are thinking about having more structural responses vis-a-vis the current scenario that is probably heading towards deglobalization, the U.S. is trying to bring all the industries back to the U.S. We are intensively working on that subject.

So, Daniel, the question is still yet to be answered. In our Investor Day, we will have more information for you. We use all of our lessons learned and the relationship we have with you, and we are constantly looking for long-term alternatives that will keep Gerdau standing out and not only bring good returns to our shareholders, but we want to align ourselves to the needs of society today.

Daniel Sasson:

OK. Thank you. Thank you all very much.

Rafael Barcellos, Bradesco BBI:

Good morning, everyone. Hello, Werneck, Japur and Mariana. Thank you for taking my question.

First, starting with Brazil, I would like to have a better understanding about your strategy with rebars. We have noticed that, since early this year, the market is fighting for share, and we understand that Gerdau is not losing any share. But I would just like to learn more about the strategy. In your view, how much is that strategy working out? And even in competitive terms, how do you see Gerdau's position vis-a-vis your main competitors in the market?

And my second question is: We do not have a lot of visibility when it comes to structurals and merchants. How do you see the demand versus price behavior?

And then a follow-up question on CapEx. I understand your intention to reduce the Company's CapEx level going forward and I also understand that you will give us more visibility about these possibilities during Gerdau's Investor Day, so I do not want to jump the gun, but this will be more like a quantitative question.

How do you balance your desire to run the Company at a lower CapEx level? And what are the decisions that the Company has to make to maintain your business like refurbishing a furnace? So, what would be the minimum CapEx?

So, these are my points. Thank you.

Gustavo Werneck:

Rafael, thank you.

As I already answered that part on rebars, I will just give the floor to Japur because he can also have his own way of answering that issue on rebars. He can give you some more light to what I said before.

So, Japur, the floor is yours.

Rafael Japur:

Sure. Rafael, my namesake, as we said before, the first interactions with the market in general, when we refer to our commercial position in longs, I think we also had a meeting with you and some other investors. In fact, we are not willing to give any part of our market share.

We made some capacity adjustments. We revisited our mills in the past few years. And I think now we achieved our optimum level in terms of the cost curve. So, it does not make any sense for us to reduce our presence in long steels, given all of the investments and employed capital, given the capillarity of Gerdau to trade our volumes.

Considering our capillary, our commercial breadth, our reach, our position in the cost curve, we understand that it makes no sense for us to give out any market share. This is point number one.

Point number two: high import volume. In the past, this was not very significant. When we think about longs and flats, even if the long percentage is lower when compared to the import of flats, the share growth was higher in longs when compared to flats. And this can also cause a negative impact on prices of rebars because this is the area where we monitor more closely, more for rebars than other products.

Speaking about other products, I will now refer to merchants and structural, which is a market that presents higher prices when compared to rebars, but is very much related to the metal and mechanical industry and the downstream industry because this is one of the segments that has been more affected in terms of the civil construction industry, which are probably more resilient when compared to the manufacturing industry at the moment.

So there, we have seen some price and competitiveness, readjustments in terms of pricing, but we are very cautious going forward, especially looking at potential effects of the tariffs imposed on the mechanical industry. So, our marketing teams are evaluating sectors of the industry that did not receive any exceptions in view of the recent tariffs imposed. So, we are carefully looking at the health and breadth of our customers.

Now going to your second question on capital allocation, I think we have to look at the cause-and-effect topic. We are not cutting CapEx because the Company's leverage went from 0.3 to 0.8. We are considering reducing our CapEx plans mainly in Brazil because we are not seeing any

concrete possibilities of economic returns to the investments in a current steel industry scenario that has been inundated by a very unfair competition from imported products.

It is not a matter of need or necessity that we are thinking about reducing our investments, but it is just a matter of choice because we do not see any perspective of returns. So, this has been mostly due to a more assertive measure by the Brazilian authorities, given the fact that we see an increase in imported goods coming to the country.

But by any means, this does not mean that we will not do maintenance investments because these are important investments to allow us to remain very competitive and to keep the good health of our business. Of course, we are not going to let go of the refurbishing of the blast furnaces or even other areas of the Company, the coke plant, et cetera.

All of the things that have to do competitive and growth, these investments with the current scenario of Brazil, unfortunately, for all of us, it makes less sense.

Rafael Barcellos:

Thank you.

Rodolfo de Angele, JPMorgan:

Hello there.

I would like to ask two questions. The first, still on Brazil, and then I would like to hear from Werneck about the United States.

So, my question on Brazil. I think it is clear that it is a complex situation. Looking back when we saw something similar happening, the Company was very different. So, you are not considering the same mechanisms now. The message via capital allocation is very clear. I think that you are not envisioning growth in Brazil.

But you kind of mentioned, Gustavo, the possibility of cutting costs. You said that there are possibilities to cut costs further. And I would like you to elaborate on this. What are the opportunities? Because I think that this is an extremely important lever, particularly when you are thinking about defending our market share in Brazil. And now to ask a question with a smile on my face...

Gustavo Werneck:

Yes. I was waiting for a question in the United States so that we can be happy.

Rodolfo de Angele:

I am going to ask a very broad question since you are willing to talk about it, because we are talking about the difficulties in Brazil, and the United States has been a positive surprise, with a good backlog and strong demand. The market over there is still protected. We hear about some price increase attempts that did not work. So, what are you seeing? What can we expect?

And as this is a super relevant piece of the Company, if the CapEx focus will not be on Brazil, what can you do over there where you have a more interesting ability to compete in a market that

has much equalized competition conditions?

Gustavo Werneck:

Good, Rodolfo. Good themes that you raised.

Japur, can you speak about the costs? And then I will answer the question about the United States.

Rafael Japur:

All right, Rodolfo.

I think that we had a super relevant program to cut costs, thinking about the 2023 level and reducing it to date, and these gains have happened already. But in 2Q25, and we actually mentioned this in the earnings release, given the high number of works and interventions that we are making at Ouro Branco mill with mining, with the flat rolling mill. Our mining program, for example, includes some adjustments and adaptations to centralization and the raw materials we have there. So, we reduced the production pace of our blast furnaces.

We understand that we might have missed an opportunity to produce at a regular pace for Ouro Branco between 125,000 to 150,000 tonnes in 2Q25. Even considering a marginal return on this additional production volume for exports, for example, we saw that, within export, there was an almost 40% reduction in our exports quarter-on-quarter.

So, if we think about the contribution margin of this volume, it would have been an important improvement, about R\$150 million in our EBITDA, but this is what I call growing pains. That is the CapEx investment we are making there.

And considering this additional production volume, we would have had a more significant fixed cost dilution in our results. But we believe that, once a good part of these adaptations that Ouro Branco have been made already, we believe that we would have a greater dilution of fixed costs with a higher production pace in 3Q25 and 4Q25.

Rodolfo de Angele:

OK. Japur, you talked about 150 million of what?

Rafael Japur:

120,000 to 150,000 tonnes of production at Ouro Branco that we did not produce due to a loss of pace in the blast furnaces.

If we consider that our variable cost with a simple rule of three is about R\$3,000 per tonne, and if we consider about R\$4,500 of price realized, considering the mix, a little bit of imported products and some domestic products, we could think about R\$1,000 to R\$1,500 of contribution margin on this volume that we did not produce that would have been posted in our results.

But since we are resuming adequate levels of production in the blast furnaces, we believe that we are going to have a greater dilution of fixed costs in 3Q25 and 4Q25.

I am sorry. I did the math very quickly in my head. I just wanted to size the greater dilution of fixed cost that we would have had in 2Q25 if we had not had so many adaptations and adjustments at Ouro Branco.

Gustavo Werneck:

Rodolfo, about the United States, I kind of joke about this. As managers, we love to interfere, have action plans, but sometimes, the best thing you can do is doing nothing to not get in the way of what is working. So, sometimes, I tell my team, "Let's be careful to not do too much and get in the way of what is doing well". The result in 2Q25 reflects what we have there, and I would say that we are living our best moment in 2025 in North America.

In terms of price increases, that was not specifically in our segment. Perhaps it was more in flats. I think that things are well aligned for us to deliver short-term and mid and long-term results as well, because you see, Rodolfo, that a good part of our backlog is aligned with more mid- to long-term moves in the United States, things related to reindustrialization and so on and so forth.

So, if you ask me, "What is strong in our backlog?", I would mention solar, which continues to be very strong. We believe that, perhaps in the future, with the reduction of incentives with in the current administration, everybody is accelerating a lot of these investments.

So, the backlog is very strong to deliver steel for the racks that support solar panels, transmission towers, energy distribution in general, using a lot of steel and data centers also using a lot of steel. We also have steel to build new industrial facilities, factories that manufacture chips that started in the past, new facilities for the naval industry. The United States lost a lot of capacity in the naval industry. There is military equipment, all the way to private vessels that need refurbishment and retrofits. So, we understand that in the mid run, there will be a lot of demand.

So, it does not make sense for me to say, "Oh, we are going to have a greenfield in the United States". That is going to get in the way because it will imbalance supply and demand. So, we are very careful about what we are doing there so that we will not hurt what is already doing quite well.

As Japur mentioned in his presentation, we decided to suspend the downtime we would have at the Midlothian industrial unit. If the problem is adding more capacity in our main plant in Texas, we thought, "Let us not reduce capacity right now because we are surfing a very good wave. Let us postpone this for later". So, we are preserving the capacity we currently have to meet the demand and maximize the results in a very good moment.

Another debate we are having is people asking, "Do you intend to have more downstream in the United States?". We are doing a little bit of it. Now we are starting a downstream plant that is small but important for this business of solar power. Instead of delivering just the shapes for the racks, we are delivering a process that shapes that are already drilled for consumption. This will help us grow and keep our market share. We are also adding new products marginally, such as some mills, like Petersburg, which may make steel for piling and foundations.

So, we are being super precise so we will not hurt what is working well. We believe we will continue to do well this year. Let us see if we will have an ability to expand the spread, perhaps a little.

But in terms of demand, considering the cost equation, we got to a very good level. We started in

the past to be on equal footing with our competitors, and we have seen this from a very positive approach. Even our specialty steel business over there improved in the past few months with the reduction of imports. So, we have an expectation to continue to post good results, and we should not think about possibilities that can get in the way.

Rodolfo de Angele:

OK. Excellent. Thank you very much.

Gustavo Werneck:

Good. Thank you, Rodolfo.

Gabriel Barra, Citi:

Werneck, Japur, Mariana, thank you very much for taking my questions.

I have two questions also about good things, Gustavo. When we look at next year, if everything remains constant in the United States, you will have some projects maturing. You have Midlothian, you have Miguel Burnier. So, maintaining the same base, we should expect a higher EBITDA.

When we look at the current debt of the Company, if everything is constant, the EBITDA should be higher with the net debt not increasing that much. And perhaps with a lower CapEx, perhaps we should have more room for cash generation by the Company.

So, my question is: in terms of capital allocation, given what you said in this call and in the interviews today, it seems that you are not going to invest in growth. Perhaps you would have more room for share buyback and dividend payout. So, my question is: how will you allocate capital given that you are going to have more cash generation with the United States doing better?

And looking more specifically at the projects, we always talk about R\$1.1 billion and those three projects maturing next year. But also, you have the point that Japur mentioned about BQ. The ramp-up had a relevant impact on the cost. It should be a one-off, so we should think about numbers above the numbers that we were considering, perhaps even greater than the number that we had been talking about. This is the one-off of 2Q25.

So, I would like to hear what you are thinking about this number next year. If you could rethink it, given that we are getting closer to the completion of the projects, such as Miguel Burnier with 75% physical progress. So, I would like to hear more.

And if I may ask about Ouro Branco, does it make sense to think about the normalization of production starting in 3Q25? And what I talked about the one-off, should we think about this for next year as one factor to add to the EBITDA? If you could put all of this into context, it would be very helpful.

Gustavo Werneck:

Excellent. How are you doing, Gabriel?

Well, trying to put your questions together, let me start in the right order. Today, at this point, with Gerdau share prices, looking from different metrics, price per share versus shareholders' equity,

we understand that an excellent capital allocation and return for our shareholders would be to repurchase the shares of the Company.

So, if we see a reduction of our indebtedness in the coming quarters and expansion of our free cash flow, I would say that our #1 priority in the current context would be to have share buybacks. We would prefer share buybacks over extraordinary dividends, as we have mentioned in previous quarters. That is why we had a share buyback in 2024, and we approved a new share buyback program in 2025.

As regards to the projects, I think that summarizing a bit, I think you kind of captured our spirit at this moment. And I would say that we are in a moment of transition. We are completing very representative projects in our Brazil segment, growth projects, projects that will generate cash and EBITDA alike in the future, that will start giving us fruit in the case of the hot coiled rolled mills in 2025, but the ramp-up will be in 2026 when we are going to have the mill operating throughout the year at 100% capacity.

Likewise, we are going to have the Miguel Burnier investment in mining. We started the year accelerating, and in 2027, we are going to have the full benefit of that project reflected in our results.

But we understand that, given the size of the return of the mining project, we will have a significant growth and a potential EBITDA increment if we consider, for example, half of the R\$1.1 billion that we use as the reference of expected return for the mining project, plus the return of our HRC project.

And if we have this normalization of this one-off cost that we had given the adaptations in the Ouro Branco mill, we understand that there is an important room to increase our EBITDA in Brazil and particularly next year if everything remains as they are.

Gabriel Barra:

Super thanks.

Carlos de Alba, Morgan Stanley:

Thank you very much, Mariana.

I ask about one topic in particular: working capital. You did mention, Japur, that in the second half, you should generate cash as working capital comes down, but, maybe beyond just the second half of the year and 2025, I think this is an area that, if we analyze where the levels where the Company was back in 2017, maybe to 2020, it was lower than it is today.

So, I wonder if there are any structural initiatives that the Company can take and implement in order to more permanently reduce that level and generate more free cash flow, which ultimately, I think, is at the core of a lot of the discussion today.

The Company needs to generate more cash flow, return more money to shareholders. Hopefully, that increases the value of the shares in the market.

Thank you.

Rafael Japur:

Hello, Carlos. It is very good to see you again.

I can answer your question in two parts.

What changed? I think, first of all, we went through a major transformation process. If you think back in time when we had many divestments, mainly in North America, iron ore and rebar, these products had a lower margin, but, at the same time, the cash conversion cycle was shorter. So, there was no more niche of high added value, less direct sales to end users.

On one hand, that increases our profitability, if you look at the EBITDA margin of Gerdau U.S. when compared to other peers, but on the other hand, proportionally speaking, this consumes a bit more cash in terms of terms and the value added in the inventory because the unit cost is higher.

Having said that, even then, we understand that there is still some room for performance improvement in our cash conversion cycle, thinking in terms of working capital not in absolute U.S. dollar terms but in terms of working capital days. We understand that the level is today around 84 to 85 days, and then we should pursue a level close to 80 days.

There are challenges, and these challenges will also be present when there are fluctuations in the market and pricing like what happened in the North America in 2Q25, or this will require more working capital as it did during the pandemic, but what we are doing now in our different business segments are looking for four to five days lower than the current level today.

Carlos de Alba:

Thank you.

Rafael Japur:

Thank you, Carlos.

Caio Ribeiro, Bank of America:

Thank you. Thank you all for taking my question.

I apologize if my question sounds repetitive. First of all, about the tariffs in the U.S., many of the discussions about the topic around some possible exemptions for Mexico and Canada in light of what happened in previous years.

It is very difficult to have a very concrete view of whether this scenario will be materialized or not, but given the current landscape, how do you think this would impact your operations in Mexico and Canada?

And still on the same note, do you believe that the incentives that you were mentioning and also the spike in long prices are mostly due to demand in the domestic market or whether this is related to that share of imported goods? And how will the impact be if the exceptions come along?

And my second question is about special steels. What is the progress in terms of demand in the

Brazilian market? And how would this possibly impact your margins going forward?

Gustavo Werneck:

Caio, I will answer your first question and then Japur will do the rest.

We believe that this debate between the U.S., Mexico and Canada will continue to happen, and this will end up in a review of that agreement between the U.S. and the country. So, we believe that the entire debate has, as a backdrop, a search for a new configuration of the agreement. I think that until then, this debate will go on. This is our belief.

Speaking about rebars, Caio, it is just related to supply. Brazil has surplus supply, and if that is not enough, you have a reduction in prices, so then I can hold back probably the entry of imported goods. But what we can anticipate at the moment is that we know that the share we have at the moment is important for us in the short and mid-range, and we do not think there will be, in rebars, any major changes in the next few months.

As I said before, we believe that there is still room for some pricing and profitability recovery, but this is not something that will happen easily. In the next coming weeks, we will probably see how much we will be able to recover. This is our belief at the moment.

And maybe Japur can talk about special steels both in Brazil and the U.S.

Rafael Japur:

You had two questions, but, in there, you also added a third question.

We think that this has to do with capturing shares from imports, and the industry as a whole is managing to capture that share. This is the reverse process that we see in Brazil. We see positive demand in the U.S. We do not see any apparent issues with demand, but local importers are losing ground. In general, the situation is improving, especially in terms of longs.

Now, about special steels, we have two different opinions here. Maybe in Brazil, we are a bit more concerned in the second half of the year because there might be potential impacts coming from the tariffs imposed by the U.S. on Brazil. And this should have an impact on the automotive and auto parts industry, which is an important supplier. That is an important segment for us, because 15% of our deliveries in Brazil are earmarked for the automotive sector.

On the other hand, in North America, in 2Q25, when compared to previous quarters, we saw the growth of margins coming from our special steel products, not much in terms of SBQ prices, but mostly due to operating improvements because of all of the investments we made in our Monroe mill in the past few years, which are approaching the end of the investment cycle, and now this is bringing results of efficiency, capacity utilization, and costs, and this, together with a better metal spread, is leading to better margins for SBQs in North America.

Mariana Dutra:

Thank you, Caio.

Due to the limited time, our Q&A session is now concluded.

I would like to take the opportunity to invite you all to our 2025 Investor Day that will take place in Sao Paulo on October 1st.

Thank you very much for your attention, and I will see you then.